SECURITIES ISSUED OR ASSUMED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish an insert schedule giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and gains or losses relating thereto, identified as to Commission authorization numbers and dates.

2. The particulars furnished should be sufficient to show fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. The facts of the accounting should be clearly set forth with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. The identification of each class and series of security should include, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Also to be given are the issuance or redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in general Instruction 17 of the Uniform System of Accounts, references should be given to the Commission authorization for the different accounting and the accounting should be stated.

5. For securities assumed the name of the company for which the liability on the securities was assumed should be given as well as particulars of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, details of these amounts should be furnished with amounts relating to refunded securities clearly earmarked.

SECURITIES ISSUED DURING THE YEAR

	Shares Issued	Total Amount	Common Stock (201)	Premium on Common Stock (207)
Common Stock				
Stock sold under employee purchase plan	12,803	$ 240,361	$ 12,803	$ 227,558
Stock sold under automatic dividend reinvestment plan	132,779	2,689,179	132,779	2,556,400
Stock sold under Tax Reduction Act Stock Ownership Plan	26,435	566,869	26,435	540,434
Common stock sold under public offering (9/19/78)	750,000	15,738,750	750,000	14,988,750
Total	922,017	$19,235,159	$922,017	$18,313,142

First Mortgage Bonds, 8 3/4% series due 2008

Nominal date of issuance	- 9/1/78
Maturity date	- 9/1/08
Aggregate principal amount	- $20,000,000
Proceeds to company	- $19,753,200
Expenses	- $ 50,129

Principal Underwriters:
Salomon Brothers
Bache Halsey Stuart Inc.
Blyth Eastman Dillon & Co. Incorporated
The First Boston Corporation and
Merrill Lynch, Pierce, Fenner & Smith Incorporated

SECURITIES ISSUED OR ASSUMED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish an insert schedule giving a brief description of security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and gains or losses relating thereto, identified as to Commission authorization numbers and dates.

2. The particulars furnished should be sufficient to show fully the accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed, retired, or refunded and the accounting for premiums, discounts, expenses, and gains or losses relating to the securities. The facts of the accounting should be clearly set forth with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. The identification of each class and series of security should include, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Also to be given are the issuance or redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in general Instruction 17 of the Uniform System of Accounts, references should be given to the Commission authorization for the different accounting and the accounting should be stated.

5. For securities assumed the name of the company for which the liability on the securities was assumed should be given as well as particulars of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, details of these amounts should be furnished with amounts relating to refunded securities clearly earmarked.

SECURITIES ISSUED DURING THE YEAR

	Shares Issued	Total Amount	Common Stock (201	Premium on Common Stock (207
Common Stock				
Stock sold under employee purchase plan	11,607	$ 228,563	$ 11,607	$ 216,956
Stock sold under automatic dividend reinvestment plan	89,049	1,903,876	89,049	1,814,827
Stock sold under Tax Reduction Act Stock Ownership Plan (TRASOP)	21,505	469,089	21,505	447,584
Common stock sold under public offering (1/19/77)	750,000	16,020,000	750,000	15,270,000
Total	872,161	$18,621,528	$872,161	$17,749,367

First Mortgage Bonds, 8 1/4% series due 2007

Nominal date of issuance	- 1/15/77
Maturity date	- 1/15/07
Aggregate principal amount	- $30,000,000
Proceeds to the company	- $29,767,000
Expenses	- $ 107,729

Principal Underwriting Firms:
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Bache Halsey Stuart Inc.,
Blyth Eastman Dillon & Co. Incorporated,
The First Boston Corporation, and
Salomon Brothers

ORDER 56801

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Iowa-Illinois Gas and Electric Company	:	
	:	56801
Proposed general increase in natural gas rates and in electric rates.	:	

O R D E R

By the Commission:

On August 30, 1971, Iowa-Illinois Gas and Electric Company ("Iowa-Illinois" or the "Company") filed with this Commission 12th Revised Sheet No. 5, 11th Revised Sheet No. 6, 8th Revised Sheet No. 7, 14th Revised Sheet No. 8, 6th Revised Sheet No. 9, 6th Revised Sheet No. 13, 3rd Revised Sheet No. 24, 5th Revised Sheet No. 25, and 3rd Revised Sheet No. 26, Schedule Ill.C.C. No. 1, in which it proposed a general increase in natural gas rates, and also filed its 7th Revised Sheet No. 4, 8th Revised Sheet No. 8, 7th Revised Sheet No. 9, 7th Revised Sheet No. 10, 5th Revised Sheet No. 13, and 2nd Revised Sheet No. 14, Schedule Ill.C.C. No. 2, in which it proposed a general increase in electric rates; said increases in natural gas and in electric rates were proposed to become effective October 1, 1971.

Notice of the proposed general rate increase was posted in the Company's business offices and was published in the several newspapers of general circulation throughout its service area, as evidenced by Certificates of Publication (Exhibits Nos. 37 and 38), in accordance with the requirements of Section 36 of the Illinois Public Utilities Act and the provisions of General Order 157 of the Commission.

Depreciation Expense, the Economic Stabilization Act of 1970, as amended, and the rules and regulations of the Price Commission applicable thereto, together with the record and exhibits presented in this case, and all other factors necessary and proper to consider in arriving at the Fair Value Rate Base of the Company's Illinois Electric and Illinois Gas Property in Service as of December 31, 1970.

Rate of Return

The rate of return fixed by this Commission must be sufficient to provide for Operating Expenses, Depreciation and Amortization Reserves that are necessary in good business judgment and operation. In addition, the Commission must give consideration to current economic conditions and the increasing demands for service that confront every utility in the State of Illinois. To enable Iowa-Illinois to meet demands for reliable and adequate service, which demands now include compliances with environmental standards, a sufficient rate of return must be provided.

A compilation of earning trends for total Company operations, admitted into evidence as Company Exhibit 8, reveals Operating Revenues, Operating Expenses and Operating Income, in summary form, for the years 1965 to 1970, inclusive.

Examination of the various comparisons shown on said Exhibit 8 indicates a steady decrease in the ratio of earnings to fixed charges (interest coverage) and Earnings per Common Share. Administrative notice of is true that Illinois ratepayers are not solely responsible to provide all of the funds required by the Company for its total operations, it is necessary that the fair share of such funds be provided by said ratepayers in order that the Company be enabled to meet its service obligations. Previously stated in this order is the fact that 49 per cent of total Company Operating Revenues were derived from its electric operations and 51 per cent from its gas operations in 1970, and it is reasonable to assume that such ratios will remain relatively stable in the foreseeable future. Of total electric customers, 41 per cent are located in Illinois and of the total gas customers 30 per cent are located in Illinois, implying a substantial responsibility for Operating Revenues from Illinois ratepayers.

In view of the necessity for maintaining an earnings ratio that will permit the Company to finance new construction, meet ecology standards, and provide its customers with their rising demand for service, the Commission concludes that the Rates of Return provided by this order are just and reasonable and the minimum necessary for such purposes.

The Commission having examined the proposed rate schedules, considered all of the evidence introduced herein, and now being fully advised in the premises, is of the opinion and finds that:

(1) Iowa-Illinois Gas and Electric Company is a corporation organized and existing under and by virtue of the laws of the State of Illinois; it is engaged in the generation and supply of electric energy and the distribution and sale of gas in

the Annual Reports filed with this Commission by the Company for the years 1965 to 1970, inclusive, is taken by the Commission for the purpose of comparing the figures presented in said exhibit.

The Company has a sinking fund debenture agreement which contains a formula for measuring interest coverage, and such agreement prohibits the Company from issuing any debt maturing in more than one year if the interest coverage ratio after income taxes is less than 2.0, including interest on new debt to be issued.

Testimony in the record for the calendar year ended December 31, 1971, indicates a further erosion in the ratio of earnings to fixed charges, i.e., to 2.2 before taxes and to 1.9 after income taxes.

The Commission is aware of the continued increasing demand and need of the public for safe and adequate service; such service today must be provided by the utility in the face of inflation and ecological standards of federal, state and local governmental authorities which standards greatly increase the cost of providing new plant and facilities. Such demands create an ever increasing need for greater amounts of capital by the utilities.

The evidence shows that the Company's first mortgage bond ratings and its sinking fund debenture ratings have been down-graded by a bond rating company and, while it

(9) evidence submitted by the Company in support of the Reproduction Cost New and Reproduction Cost New Depreciated for its Electric and Gas Plants allocable to Illinois operations for the test year ended December 31, 1970, together with evidence submitted by the Commission's Engineering Staff, were considered by the Commission in its determination of a Fair Value Rate Base for both Electric and Gas Operations in Illinois, and was discussed in the prefatory part of this order; each proposal for determination of Reproduction Cost New Depreciated is found to have merit and such proposals have been considered in connection with the Commission's ultimate determination of Fair Value Rate Bases as of December 31, 1970; Reproduction Cost New Depreciated for Electric Plant - Illinois Operations - is found to be $95,700,633, and Reproduction Cost New Depreciated for Gas Plant - Illinois Operations - is found to be $38,414,703, both as of December 31, 1970;

(10) Original Cost of the Company's used and useful Electric Plant in Service, allocated to Illinois operations, as of December 31, 1970, is $89,277,777;

(11) Accumulated Provision for Depreciation and Amortization of the Company's used and useful Electric Plant in Service, allocated to Illinois operations, as of December 31, 1970, is $21,399,216; resulting in a net Original Cost of such Plant as of such date of $67,878,561;

(12) the following Plant items allocated to Illinois Electric operations should be included in the Fair Value Rate Base of the Company's Electric Operations in Illinois as of December 31, 1970:

Plant Held for Future Use	$ 38,955
Construction Work in Progress on which no interest was charged	$478,790

(13) the following items, affecting Illinois Electric Operations of the Company, should be treated as indicated in connection with the establishment of a Fair Value Rate Base for such Electric Operations:

Illinois and, as such, is a public utility within the meaning of an Act entitled, "An Act concerning public utilities," as amended;

(2) the Commission has jurisdiction of the Company and of the subject matters of this case;

(3) this proceeding was initiated by the Company on August 30, 1971, filing with the Commission certain revised schedules of rates for its gas and electric service applicable to its operations in Illinois, for which it proposed a general increase in rates for various classifications of service effective October 1, 1971;

(4) due notice of the filing of said rate schedules was given pursuant to law and the rules and regulations of this Commission;

(5) on September 22, 1971, the Commission suspended the proposed rates pending hearing and investigation and subsequently, on January 19, 1972, resuspended said rates until July 27, 1972;

(6) notice of the initial hearing held in this case was mailed by the Secretary of the Commission to Iowa-Illinois Gas and Electric Company, the Mayor, Attorney and Clerk of the municipalities located within the Company's service areas in Illinois, and to other persons or entities as shown by the docket sheets maintained by the Secretary of the Commission, all in accordance with the rules and regulations of this Commission; notice of all subsequent hearings were mailed by the Secretary of the Commission to such parties as are shown by the docket sheets maintained by the Commission in this case;

(7) statements of fact and conclusions reached in the prefatory part of this order are amply supported by evidence of record and are hereby adopted as findings of fact;

(8) methods used by the Company to allocate property dedicated to the public in Illinois in furnishing gas and electric service to its customers is just and reasonable and is hereby approved for purposes of this case;

(18) the Fair Value Rate Base, as of December 31, 1970, for the Company's Illinois Gas Operations, is found to be $26,206,013;

(19) rates presently in effect for electric service furnished to the Illinois customers of the Company are inadequate and unjust in that they do not produce a reasonable return to the Company on its investment in Electric Plant used in its Illinois Operations and recovery of Operating Costs for Electric Service furnished to its Illinois customers; Rate of Return, at present rates, on the Fair Value Rate Base of $69,268,029 is 5.89 percent; examination of the Company's 1971 Annual Report (Form 21), on file with this Commission, indicates that the Company's Rate of Return has further declined from the level experienced for the test year of 1970, as adjusted;

(20) rates proposed herein by the Company for its electric operations in Illinois are unjust in that they would produce a Rate of Return of 7.86 percent on the Fair Value Rate Base of $69,268,029, and such proposed rates should be cancelled and annulled;

(21) the Company should be required to file rates that will produce Annual Operating Income of approximately $5,095,000 for its electric operations in Illinois, and such Annual Operating Income would, in turn, provide the Company with a Rate of Return of approximately 7.36 percent on the Fair Value Rate Base of $69,268,029;

(22) rates presently in effect for gas service furnished to the Illinois customers of the Company are inadequate and unjust in that they do not produce a reasonable return to the Company on its investment in Gas Plant used in its Illinois operations and recovery of Operating Costs for Gas Service furnished to its Illinois customers; the Rate of Return, at present rates, on the Fair Value Rate Base of $26,206,013 is 5.53%; due to the curtailments of gas supply imposed upon Iowa-Illinois by its principal pipeline supplier, Natural Gas Pipeline Company of America, Iowa-Illinois has placed into effect gas limitation rules by which it is controlling its growth rate to coincide with available gas supplies; the curtailments by Natural, which will cause reduced sales to interruptible customers initially, and the gas limitation rules, which will cause lower than normal growth in new customers, will continue in effect for the foreseeable future; the 1971 revenue data presented in this matter shows a Rate of Return on the Fair Value Rate Base of approximately 4.0%;

(23) rates proposed herein by the Company for its gas operations in Illinois are just and reasonable, are estimated to produce Operating Income of approximately $1,990,353, and a Rate of Return of 7.60% on the Fair Value Rate Base of $26,206,013; because of the gas supply situation described in Finding 22) above, the 1971 Rate of Return on the Fair Value Rate Base is approximately 6.5%; in

ADDITIONS:

(a) Eighty-Day Fuel Supply	$ 442,871
(b) Material and Supplies	709,911
Total Additions	$1,152,782

DEDUCTIONS:

(c) Electric Plant Allocable to Non-jurisdictional Operations	$3,561,357
(d) Accumulated Deferred Income Taxes	3,583,063
(e) Contributions in Aid of Construction	91,007
(f) Customers Advances for Construction	1,150
Total Deductions	$7,236,577
Net Deduction	$6,083,795

(14) the Company's claim for an allowance of $19,201 for Working Funds and $34,163 for Prepayments, both applicable to its Illinois Electric Operations, should not be allowed for the reasons heretofore stated;

(15) the Fair Value Rate Base, as of December 31, 1970, for the Company's Illinois Electric Operations, is found to be $69,268,029;

(16) the Original Cost, its related Accumulated Provision for Depreciation, and net Original Cost, of the Company's Gas Plant used in its Illinois Gas Operations as of December 31, 1970, are as follows:

(a) Original Cost	$30,225,805
(b) Accumulated Provision for Depreciation	5,935,986
(c) Net Original Cost	$24,289,819

(17) the following items, affecting the Illinois Gas Operations of the Company, should be treated as indicated in connection with the establishment of a Fair Value Rate Base for such Gas Operations:

ADDITIONS:

(a) Construction Work in Progress on which no interest was charged	$ 48,559
(b) Liquefied Petroleum Gas Supply	7,684
(c) Prepaid Gas Stored Underground	537,017
(d) Materials and Supplies	283,456
(e) Working Funds	13,632
(f) Prepayments	25,672
Total Additions	$ 916,020

DEDUCTIONS:

(g) Accumulated Deferred Income Taxes	$1,734,339
(h) Contributions in Aid of Construction	657,161
(i) Customers Advances for Construction	139,547
Total Deductions	$2,531,047
Net Deduction	$1,615,027

view of the continued deterioration of Iowa-Illinois' Rate of Return in 1971, such proposed rates should be approved;

(24) any objections and motions made in this proceeding that remain undisposed of should be disposed of consistent with the ultimate conclusions of this order.

IT IS THEREFORE ORDERED that the Suspension Order entered herein on September 22, 1971, and the Resuspension Order entered January 19, 1972, be, and they are hereby, vacated as to the following:

12th	Revised	Sheet	No. 5
11th	"	"	No. 6
8th	"	"	No. 7
14th	"	"	No. 8
6th	"	"	No. 9
6th	"	"	No. 13
3rd	"	"	No. 24
5th	"	"	No. 25
3rd	"	"	No. 26
Schedule	Ill.C.C.		No. 1

in which a general increase in natural gas rates proposed by Iowa-Illinois Gas and Electric Company, and the Company be, and it is hereby, authorized to place said sheets in effect on or after the date of this order.

IT IS FURTHER ORDERED that the Suspension Order entered herein on September 22, 1971, and the Resuspension Order entered January 19, 1972, be, and they are hereby, vacated as to the following:

7th	Revised	Sheet	No. 4
8th	"	"	No. 5
8th	"	"	No. 8
7th	"	"	No. 9
7th	"	"	No. 10
5th	"	"	No. 13
2nd	"	"	No. 14
Schedule	Ill.C.C.		No. 2

in which a general increase in electric rates was proposed by Iowa-Illinois Gas and Electric Company, and such sheets are hereby ordered cancelled and annulled.

IT IS FURTHER ORDERED that Iowa-Illinois Gas and Electric Company be, and it is hereby, required and directed to file new rates with the Commission as shown on Appendix A attached hereto for those service classifications indicated thereon, along with the tariff provisions applicable to each rate, said rates to produce approximately $2,312,800 of additional Operating Revenues and total Operating Income of approximately $5,095,000, based on the 1970 test year, as adjusted.

IT IS FURTHER ORDERED that any objections, petitions or motions, including the Petition for Interim Relief filed by the Company on September 10, 1971, that remain undisposed of, be, and they are hereby, disposed of consistent with the ultimate conclusions contained herein.

IT IS FURTHER ORDERED, and this Commission certifies, that the increases granted by this order have been examined by the Commission with regard to their consistency with the purposes of the Economic Stabilization Act of 1970, as amended.

By order of the Commission this 26th day of July, 1972.

(SIGNED) DAVID H. ARMSTRONG
Chairman

(S E A L)

RHB:HAT:lc

ORDER 58560

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Iowa-Illinois Gas and Electric Company	:	
	:	
Proposed general increase in natural gas rates and in electric rates.	:	58560

ORDER

By the Commission:

On August 30, 1973, Iowa-Illinois Gas and Electric Company ("Iowa-Illinois" or the "Company") filed with this Commission a proposed general increase in gas rates, stated in Ill. C.C. No. 1, 14th Revised Sheet No. 5, 13th Revised Sheet No. 6, 10th Revised Sheet No. 7, 16th Revised Sheet No. 8, 8th Revised Sheet No. 9, 23rd Revised Sheet No. 11, 9th Revised Sheet No. 13, 5th Revised Sheet No. 24, 7th Revised Sheet No. 25, and 5th Revised Sheet No. 26, and proposed general increase in electric rates stated in Ill. C.C. No. 2, 10th Revised Sheet No. 4, 11th Revised Sheet No. 5, 11th Revised Sheet No. 7, 11th Revised Sheet No. 8, 10th Revised Sheet No. 9, 10th Revised Sheet No. 10, 8th Revised Sheet No. 13, and 5th Revised Sheet No. 14; said increases in natural gas rates and in electric rates were proposed to become effective October 1, 1973.

Notice of the proposed general rate increases was posted in the Company's business offices and was published in the several newspapers of general circulation throughout its service area, as evidenced by Certificates of Publication, in accordance with the requirements of Section 36 of the Illinois Public Utilities Act and the provisions of General Order 157 of the Commission.

It appeared from an examination of the filed tariff sheets that the Commission should enter upon a hearing concerning the propriety and reasonableness of the proposed general rate increases and, pending hearing and decision thereon, the new rates should not become effective on the date proposed by the Company. The Commission entered an order September 26, 1973, suspending the proposed increases until January 27, 1974 and thereafter, by a further order entered on January 16, 1974, resuspended said proposed increases until July 27, 1974, in accordance with Section 36 of the Illinois Public Utilities Act.

Pursuant to notice given, as required by law and the rules and regulations of the Commission, a hearing was held in this matter before a duly authorized Examiner of the Commission at its offices in Chicago, Illinois, on November 8, 1973. Appearances were entered by counsel on behalf of the Company and by members of the Gas Engineering, Electric Engineering and Accounts and Finance Sections of the Commission. There were no other appearances. Subsequent hearings were held on January 22, April 10, and 11, and May 27, 1974. The case was marked "Heard and Taken" on May 27, 1974.

The transcript of the record consists of 1,221 pages and 56 exhibits. It contains a detailed, comprehensive analysis of the financial accounts of the Company, Operating Revenues and Expenses, the Original Cost and Reproduction Cost with associated accrued depreciation applicable to the Company's property, requirements for other properties, the cost of money and other matters relating to Rate of Return.

Nature of Company's Operations

The Company is engaged in the generation, transmission, distribution and sale of electric energy and the distribution and

Particulars	($ 0 0 0 Omitted) Electric	Gas	Together
Decrease in Operating Revenues to reflect energy conservation by Customers	$ 1,035	$ 378	$ 1,413
Decrease in Income and General Taxes and fuel costs related to foregoing	705	201	906
Increase in "Fair Value" Depreciation Net of Taxes	548	189	737
Elimination of donations for Charitable, Social and Community Organizations, Net of Taxes made by the Commission's Staff should be approved in the following amounts:	$ 7	6	13

Rate of Return

The Company presented the testimony of three expert witnesses on rate of return. One was retained by the Company to determine an appropriate return which the Company should have to provide the opportunity to earn from its electric and gas business subject to the jurisdiction of this Commission. He determined a fair rate of return to be applied to a present fair value rate base which he testified gives due consideration to inflation and to current costs. He also determined for this Company a rate of return which, if applied to an original cost rate base, would be appropriate. The witness concluded that the fair rate of return applicable to fair value rate base, utilizing already embedded cost of debt of 6.07 percent and preferred stock at 5.96 percent combined with the current cost of new common equity at 12.5 percent is 8.6 percent. Similarly, he concluded that a fair rate of return applicable to an original cost rate base with 14 - 14.5 percent return on common book equity is 9.24 - 9.44 percent.

The witness testified that the cost of capital to the Company has been pushed upward by the continuing inflationary pressures and the rapid decline in the purchasing power of money. He also stated his opinion that consideration should be given to the trend of long-term interest rates and the probabilities with respect to cost of additional and replacement debt capital in the near future.

The witness testified that he applied three generally accepted tests of reasonableness in the determination of the cost of common stock capital to the Company. These are (1) that the return on equity capital must be commensurate with the returns on investments in other enterprises having corresponding risks, (2) that the prospective returns must be sufficient to attract the additional capital required by a growing business, and (3) that the return must be sufficient to assure confidence in the financial integrity of the enterprise and maintain its credit.

This witness utilized both the comparable earnings and the market value approach in reaching his conclusion as to the cost of equity capital since they are compatible with each other and are not alternatives. In applying the comparable earnings method the witness selected enterprises he believed to be of similar risk which include eleven food processors, ten manufacturers, and utility groups.

Based upon these studies the witness concluded that the rate of earnings on book common equity, equivalent to alternative opportunity cost, is in the range of 14.0 to 14.5 percent which he uses as the equity component of rate of return applicable to an original cost rate base.

The witness' market value approach to a fair rate of return looks to historical growth rates of earnings, dividends and book equity, plus current dividend yields as indicators of the rate at which equity investors are discounting anticipated future returns. His conclusion is that the market capitalization rate on equity is about 11.75 percent plus 0.8 percent for cost of financing and market pressure. His 12.5 percent result is the estimated current cost of new capital in dollars of current purchasing power which he uses as the equity component of rate of return applicable to a present fair value rate base.

The second witness presented testimony regarding the institutional investor's appraisal of stock in general, utility common stocks in general, and the Company in particular. He indicated that institutional investors aim at achieving maximum total return, the combination of dividend income and price appreciation, within the constraints of various levels of risk assumption and that they require income growth approximating that of the growth of wages. He explained that investors are placing an even greater premium on both rate of gain and certainty of growth.

He concluded that utilities have experienced a slowdown of earnings and dividend growth and that earned rates of return have not kept pace with the increase in the rate of inflation. He also stated that the Company has fared even worse in these respects than the Standard and Poor's Utility Average. Therefore, the common stock of the Company has been removed from his bank's list of common stock which may be purchased, which also means that the Company's preferred stock and debt obligations will not be purchased either.

He also concluded that in order for utility stocks, and the Company's stock in particular, to again become attractive to institutional investors, a return of about 14 percent on common equity is required.

The third witness reviewed the decline in interest coverage. The after tax earnings coverage in 1973 was in the range of 2.1 to 2.3 times. The Company's agreement with investors requires that for issuance of long-term debt, the after tax earnings coverage be at least 2.0 times. He concludes that a minimum after tax coverage of 2-3/4 to 3 times is required to permit financing flexibility and provide a margin of safety for earnings fluctuations and attrition of earnings in these inflationary times. A return of about 14 percent on the common equity is required to provide this minimum coverage.

The witness found that investors in the Company's stock have not kept up with inflation. The purchasing power of the dividend decreased 40 percent between 1965 and 1973. The book value adjusted for inflation since 1941 is about 60 percent higher than stated book value. Hence, in terms of purchasing power the common stock investors who realized a 14 percent return on common equity in 1941 would realize only 8.82 percent today because of inflation.

The witness sponsored Exhibit 32, which summarizes the Company's evidence and shows that when current rates are applied to a fair value rate base its return on electric operations is only 4.63 percent and on gas operations is 4.08 percent. To provide the Company with the opportunity to earn a return of 8.6 percent, found by the first witness to be applicable to a fair value rate base, the Company has a revenue deficiency in Illinois for electric operations of $8,981,000 and gas operations of $3,341,000. The Company claims that this revenue deficiency when compared with the additional revenues which would be generated by the proposed rates of $3,634,000 for electric and $1,074,000 for gas, exclusive of add-on taxes, indicates that the Company is entitled to rates greater than those proposed by the Company.

This Commission is charged with the responsibility of determining a just and reasonable rate of return. A utility must have sufficient annual earnings to meet operating expenses and provide a reasonable return to investors for the risks assumed. A fair rate of return will enable the utility to attract new capital for expansion and maintain the financial integrity of the investment.

The Commission, recognizing all of the foregoing factors, is of the opinion that the Company is entitled to earn a rate of return of approximately 8.50 percent on its Original Cost rate Base for Electric Operations and 8.75 percent on its Original Cost Rate Base for Gas Operations.

The Commission, having examined the proposed rate schedules, considered all of the evidence introduced herein, and being fully advised in the premises, is of the opinion and finds that:

(1) Iowa-Illinois Gas and Electric Company is a corporation organized and existing under and by virtue of the laws of the State of Illinois; it is engaged in the generation and supply of electric energy and the distribution and sale of gas in Illinois and, as such is a public utility within the meaning of an Act entitled, "An Act concerning public utilities" as amended;

(2) the Commission has jurisdiction of the Company and of the subject matters of this case;

(3) this proceeding was initiated by the Company on August 30, 1973 by filing with the Commission certain revised schedules of rates for its gas and electric service applicable to its operations in Illinois, for which it proposed a general increase in rates for various classifications of service effective October 1, 1973;

(4) due notice of the filing of said rate schedules was given pursuant to law and the rules and regulations of this Commission;

(5) on September 26, 1973, the Commission suspended the proposed rates pending hearing and investigation and subsequently, on January 16, 1974, re-suspended said rates until July 27, 1974;

(6) notice of the initial hearing held in this case was mailed by the Secretary of the Commission to Iowa-Illinois Gas and Electric Company, the Mayor, Attorney and Clerk of the municipalities located within the Company's service areas in Illinois, and to other persons or entities as shown by the docket sheets maintained by the Secretary of the Commission, all in accordance with the rules and regulations of this Commission; notice of all subsequent hearings was mailed by the Secretary of the Commission to such parties as are shown by the docket sheets maintained by the Commission in this case;

(7) statements of fact and conclusions reached in the prefatory part of this order are amply supported by evidence of record and are hereby adopted as findings of fact;

(8) methods used by the Company to allocate property dedicated to the public in Illinois in furnishing gas and electric service to its customers are just and reasonable and are hereby approved for purposes of this case;

(9) Original Cost of the Company's used and useful Electric Plant in Service allocated to Illinois operations, as of December 31, 1973, is $125,584,000 for purposes of this proceeding;

(10) Accumulated Provision for Depreciation and Amortization of the Company's used and useful Electric Plant in Service, allocated to Illinois operations, as of December 31, 1973, is $31,231,000, resulting in a net Original Cost of such Plant as of such date of $94,353,000 to be used for the purposes of this case;

(11) the following items, affecting Illinois Electric Operations of the Company, should be treated in connection with establishing an Original Cost Rate Base for such operations:

Additions:

(a)	Plant Held for Future Use	$ 134,000
(b)	Materials and Supplies	735,000
(c)	Nuclear Fuel	914,000
(d)	Fuel Stock	1,140,000
(e)	Adjustments to Electric Plant in service	1,765,000
	Total Additions	$4,688,000

Deductions:

(f)	Contributions in Aid of Construction	227,000
(g)	Accumulated Deferred Income Taxes	7,627,000
(h)	Electric Plant Allocable to Nonjurisdictional Operations	4,833,000
	Total Deductions	$12,687,000
	Net Deductions	$ 7,999,000

(12) the Company's claim for an allowance of $126,000 for prepayments should not be allowed for the reasons heretofore stated;

(13) the Original Cost Rate Base, as of December 31, 1973, for Company's Illinois Electric Operations is found to be $86,354,000;

(14) the Original Cost, its related Accumulated Provision for Depreciation, and Net Original Cost, of the Company's Gas Plant used in its Illinois Gas Operations as of December 31, 1973, are as follows:

(a)	Original Cost of Plant in Service	$34,751,000
(b)	Accumulated Provision for Depreciation	8,202,000
(c)	Net Original Cost of Plant in Service	$26,549,000

(15) the following items, affecting the Illinois Gas Operations of the Company, should be treated as indicated in connection with the establishment of an Original Cost Rate Base for such gas operations:

Additions:

(a)	Liquefied Petroleum Gas Supply	$ 69,000
(b)	Gas Stored Underground	617,000
(c)	Materials and Supplies	264,000
(d)	Investment in Gas Leases	1,338,000
	Total Additions	$2,288,000

Deductions:

(e)	Deferred Income Taxes	$2,136,000
(f)	Contributions in Aid of Construction	697,000
(g)	Accumulated Deferred Income Taxes	142,000
	Total Deductions	$2,975,000
	Net Deductions	$ 687,000

(16) the Original Cost Rate Base, as of December 31, 1973, for the Company's Illinois Gas Operations, is found to be $25,862,000 for this proceeding;

(17) rates presently in effect for electric service furnished to the Illinois customers of the Company are inadequate and unjust in that they do not produce a reasonable return to the Company on its investment in Electric Plant used in its Illinois operations and recovery of operating costs of electric service furnished to its Illinois customers; Rate of Return, at present rates, on the Original Cost Rate Base of $86,354,000 is 6.85 percent;

(18) rates proposed herein by the Company for its electric operations in Illinois are unjust in that they would produce a Rate of Return of 8.89 percent on the Original Cost Rate Base of $86,354,000 and such proposed rates should be cancelled and annulled;

(19) the Company should be required to file rates that will produce annual Operating Income of approximately $7,340,000 for its electric operations in Illinois, and such annual Operating Income would, in turn, provide the Company with a Rate of Return of approximately 8.50 percent on the Original Cost Rate Base of $86,354,000;

(20) rates presently in effect for gas service furnished to the Illinois customers of the Company are inadequate and unjust in that they do not produce a reasonable return to the Company on its investment in Gas Plant used in its Illinois Operations

and recovery of its Operating Cost for gas service furnished to its Illinois customers; the Rate of Return, at present rates, on the Original Cost Rate Base of $25,862,000 is 7.06 percent;

(21) rates proposed herein by the Company for its gas operations in Illinois are unjust in that they would produce a Rate of Return of 9.13 percent on the Original Cost Rate Base of $25,862,000 and such rates should be cancelled and annulled;

(22) the Company should be required to file rates that will produce annual Operating Income of approximately $2,263,000 for its gas operations in Illinois, and such annual Operating Income would, in turn, provide the Company with a Rate of Return of approximately 8.75 percent on the Original Cost Rate Base of $25,862,000;

(23) any objections and motions made in this proceeding that remain undisposed of should be considered disposed of in a manner consistent with the ultimate conclusions herein contained.

IT IS THEREFORE ORDERED that the Suspension Order entered herein on September 26, 1973, and the Resuspension Order entered January 16, 1974, be, and they are hereby, vacated as to the following:

14th	Revised	Sheet	No. 5
13th	"	"	No. 6
10th	"	"	No. 7
16th	"	"	No. 8
8th	"	"	No. 9
23rd	"	"	No. 11
9th	"	"	No. 13
5th	"	"	No. 24
7th	"	"	No. 25
Schedule	Ill.	C.C.	No. 1

in which a general increase in natural gas rates proposed by Iowa-Illinois Gas and Electric Company, and such sheets are hereby permanently cancelled and annulled.

IT IS FURTHER ORDERED that the Suspension Order entered herein on September 26, 1973, and the Resuspension Order entered January 16, 1974, be, and they are hereby, vacated as to the following:

10th	Revised	Sheet	No. 4
11th	"	"	No. 5
11th	"	"	No. 7
11th	"	"	No. 8
10th	"	"	No. 9
10th	"	"	No. 10
8th	"	"	No. 13
5th	"	"	No. 14
Schedule	Ill.	C.C.	No. 2

in which a general increase in electric rates was proposed by Iowa-Illinois Gas and Electric Company, and such sheets are hereby permanently cancelled and annulled.

IT IS FURTHER ORDERED that Iowa-Illinois Gas and Electric Company be, and it is hereby, required and directed to file with this Commission revised schedules of electric and gas rates, together with tariff schedules for those service classifications hereinbefore indicated in proportion with the Respondent's original tariff filings, said rates to produce approximately $2,943,000, exclusive of add-on taxes, of additional annual Electric Operating Revenues and total Electric Operating Income of approximately $7,340,000 and additional annual Gas Operating Revenues of $901,000, exclusive of add-on taxes, and total Gas Operating Income of $2,263,000, based on the 1973 test year, as adjusted, in accordance with Findings (19) and (22) herein, and that all of said tariff schedules stated thereupon shall be effective for all meter readings on and after the date of filing thereof.

IT IS FURTHER ORDERED that any objections or motions made in this proceeding which remain undisposed of are considered disposed of in a manner consistent with the ultimate conclusions contained herein.

By order of the Commission this 17th day of July, 1974.

(SIGNED) MARVIN S. LIEBERMAN

(S E A L)

Chairman

MG/10

ORDER 59318

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Iowa-Illinois Gas and Electric Company	:	
	:	59318
Proposed general increase in rates for electric and gas service	:	

<u>O R D E R</u>

By the Commission:

On September 30, 1974, Iowa-Illinois Gas and Electric Company ("Respondent") filed with this Commission a proposed general increase in gas rates, stated in Ill. C. C. No. 1, 17th Revised Sheet No. 5, 16th Revised Sheet No. 6, 13th Revised Sheet No. 7, 19th Revised Sheet No. 8, 11th Revised Sheet No. 9, 25th Revised Sheet No. 11, 11th Revised Sheet No. 13, 8th Revised Sheet No. 24, 10th Revised Sheet No. 25, and 8th Revised Sheet No. 26, and proposed general increase in electric rates stated in Ill. C.C. No. 2, 13th Revised Sheet No. 4, 14th Revised Sheet No. 5, 14th Revised Sheet No. 7, 14th Revised Sheet No. 8, 13th Revised Sheet No. 9, 13th Revised Sheet No. 10, 10th Revised Sheet No. 13, and 7th Revised Sheet No. 14; said increases in gas and electric rates were proposed to become effective October 31, 1974.

Notice of the proposed general rate increases was posted in the Respondent's business offices and was published in newspapers of general circulation in Respondent's service area, in accordance with the requirements of Section 36 of the Illinois Public Utilities Act and the provisions of General Order 157 of this Commission.

It appeared from an examination of the proposed tariffs that the Commission should enter upon hearings concerning the propriety and reasonableness of the proposed general rate increases and, pending hearings and decision thereon, the new rates should not become effective on the date proposed by the Respondent. The Commission entered an order October 9, 1974, suspending the proposed tariffs until February 27, 1975, and thereafter, by a further order entered on February 19, 1975, resuspended them to and including August 27, 1975, in accordance with Section 36 of the Illinois Public Utilities Act.

On September 30, 1974, Respondent filed a Motion For Interim Rate Relief, and pursuant to notice as required by law and the rules and regulations of the Commission, a hearing on the request for interim relief was held on November 4, 1974, before a duly authorized Hearing Examiner. At said hearing appearances were entered on behalf of Respondent and by members of the Commission's Engineering Section and the Accounts and Finance Section. No other appearances were entered by any Intervenors at the initial hearing or thereafter.

On November 6, 1974, the Commission entered an order granting Respondent interim rates effective November 8, 1974, which were expected to produce additional annual revenues, excluding the 2% State add-on gross receipts tax, of approximately $3,344,000, approximately $1,958,000 from electric sales and $1,386,000 from gas sales. These interim rates were at a level equal to 51% and 74% of the proposed increases in the electric and gas tariffs, respectively.

Subsequent hearings on the proposed tariffs were held on November 26 and December 16, 1974, March 10 and April 1, 1975, on the latter date the proceeding being marked "Heard and Taken".

The record contains a detailed, comprehensive analysis of the financial accounts of the Respondent's operating revenues and expenses, the original cost with associated accrued depreciation applicable to the Respondent's utility property, requirements for other properties, the cost of money and other matters relating to rate of return.

Nature of Company's Operations

The Respondent is engaged in the generation, transmission, distribution and sale of electric energy and the distribution and sale of natural gas to the public as a public utility. Electric energy is distributed in Rock Island, Moline and East Moline, Illinois, and Davenport and Bettendorf, Iowa, (known as the Quad-Cities), in Fort Dodge and Iowa City, Iowa, and in certain adjacent communities and areas. Natural gas is distributed in the foregoing communities, in Cedar Rapids and Ottumwa, Iowa, and in several smaller municipalities in Illinois and Iowa. Of total operations, about 52% of operating revenues were derived from the electric business and 48% from the gas business from its customers for the twelve months ended December 31, 1974. Approximately 39% of its electric revenues and 29% of its gas revenues are derived from operations in Illinois, with about 60,200 electric customers and about 58,700 gas customers residing in Illinois.

Respondent is a member of the Mid-Continent Area Power Pool ("MAPP") along with 32 other participating members. MAPP collectively provides capacity adequate to carry the electric loads to all members and to provide reserve capacity. Respondent utilizes three transmission voltages: 345 kv; 161 kv; and 69 kv. The 345 kv and 161 kv and related substation equipment supply power to the entire system and not to a specific area. The 69 kv is generally utilized to serve specific areas and is related to a given area or city. The Respondent's total electric generating capacity to serve the systemwide load is about 930,000 kw, and its 1975 electric system peak load is estimated to be 838,000 kw.

Gas is purchased from two pipeline companies--Natural Gas Pipeline Company of America ("Natural") and Northern Natural Gas Company ("Northern"). Gas is purchased from Natural for all the service areas of Respondent except for the Fort Dodge, IOwa service area, for which gas is purchased from Northern.

Proposed Changes in Rate Schedules

The proposed electric rate schedules filed September 30, 1974, by the Respondent would provide an average increase of approximately 13.4% and by class of customer would generally be uniform. It is anticipated such rate schedules would generate an estimated $3,968,000 of additional electric annual operating revenue based upon its electric operation sales data for the test year ended December 31, 1974. Excluding the 2% State add-on gross receipts tax, the proposed increase would amount to approximately $3,893,000 additional electric operating revenue for Respondent.

The proposed gas rate schedules would provide an average increase of approximately 9.2% and by class of customer range from about 6% to 12%, generating an estimated $1,935,000 of additional gas annual operating revenue based upon its gas operation sales data for the test year ended December 31, 1974. Excluding the 2% add-on gross receipts tax, the increase would amount to approximately $1,897,000 additional gas operating revenue for Respondent.

Respondent claims it developed the proposed electric and gas tariffs upon the principles found appropriate by this

ORIGINAL COST RATE BASE
(000 Omitted)

Particulars	Electric	Gas
Original Cost of Plant in Service	$131,487	$ 37,755
Less: Accumulated Provision for Depreciation and Amortization	34,126	9,033
Net Original Cost of Plant in Service	$ 97,361	$ 28,722
Add:		
Plant Held for Future Use	132	
Nuclear Fuel in Stock	823	
Nuclear Fuel in Reactor-Net	998	
Investment in Gas Leases		1,492
Environmental equipment, Quad-Cities Nuclear Power Station	724	
Fuel Stocks (Coal and Oil)	1,999	
Materials and Supplies	1,029	300
Gas Stored Underground, Liquefied Petroleum Gas Supply, and Stored LNG		800
Sub Total	$103,066	$ 31,314
Particulars	**Electric**	**Gas**
Deduct:		
Contributions in Aid of Construction	$ 300	$ 726
Customer Advances for Construction		206
Accumulated Deferred Income Taxes	8,971	2,332
Plant Applicable to Nonjurisdictional Electric Customer	5,065	
Original Cost Rate Base	$ 88,730	$ 28,050

Operating Revenues, Operating Expenses, Operating Income - Illinois Operations

The Respondent's Operating Revenues applicable to its Illinois electric operations for 1974 were $32,349,000; less $333,000 applicable to nonjurisdictional electric operations; Operating Expenses and Taxes were $25,518,000; resulting in jurisdictional Operating Income of $6,498,000. Adjustments for annualized revenues, interim revenues collected, wage increase, increased FICA expense, equity financing, Operation Control Center depreciation expense, increased research and development, and rate case expense, as set forth in Respondent's Exhibit 51, and testified to by its witnesses were accepted by the Commission's Staff, and are deemed proper and reasonable.

The Respondent's Operating Revenues applicable to its Illinois gas operations for 1974 were $22,053,000; Operating Expenses and Taxes were $20,387,000; resulting in jurisdictional Operating Income of $1,666,000, as adjusted. Adjustments for annualized revenues, interim revenues collected, wage increases, increased FICA expense, equity financing, Operation Control Center depreciation expense, storage costs, and rate case expense, as set forth in Respondent's Exhibit 59, and testified to by its witnesses, were also accepted by the Commission's Staff, and are deemed proper and reasonable.

Allocation practices and procedures used in this proceeding are in accordance with those consistently applied by Respondent in its books and records, Annual Reports to this Commission and with the Order of this Commission in Docket 58560.

Rate of Return

Respondent presented the testimony of three expert witnesses on rate of return and related matters. Dr. J. Rhoads Foster, an economist, was retained by Respondent to determine an appropriate return which Respondent should be allowed to earn from its utility operations subject to the jurisdiction of this Commission. He utilized the embedded cost of long-term debt capital and preferred stock as two of the three components of a fair rate of return. However, a range was provided with respect to long-term debt to give some consideration to the cost of additional debt capital which Respondent contemplates. The issuance of preference shares in late 1974 was not directly reflected in the capital structure utilized by Dr. Foster.

With respect to the third component of fair rate of return the cost of common stock capital to Respondent, he applied three tests of reasonableness - (1) the return on equity capital should be commensurate with the returns on investments in other enterprises having corresponding risks, (2) the prospective returns should be sufficient to attract the additional capital required by a growing business, and (3) the return should be sufficient to assure confidence in the financial integrity of the enterprise and maintain its credit.

This witness pursued four separate approaches in reaching his determination of the cost of common equity capital to the Respondent, (1) an analysis of the changes in financial and related factors, (2) an analysis of the effects of inflation on the cost of capital, (3) an application of the market value or DCF method, and (4) an application of the comparable earnings or alternative opportunity method. His utilization of these four separate approaches, based on a contemplated capital structure and anticipated cost of debt and preference stock, led him to the conclusion that the current cost of common stock capital to the Respondent is 15% to 16%, and that the total capital and fair rate of return for the Respondent, at this time, on the basis of the embedded and prospective cost of debt and preferred stock, and the cost of common equity is as follows:

Kind of Capital	Capital Structure	Cost Rates	Composite Cost
Long-term debt	53.0%	6.05-6.53%	3.21-3.46%
Preferred stock	7.0	5.96	0.42
Common stock	40.0	15.0-16.0	6.00-6.40
Total	100.0%		9.63-10.28%

Dr. Foster concluded that a fair rate of return for the Respondent is 9.8% at this time when applied to an original cost rate base and utilizing a capital structure as noted above.

The second witness, Waid R. Vanderpoel, an investment banker, presented testimony regarding the institutional investors' appraisal of common stock in general, including utility stocks, and the Respondent's in particular. He testified that institutional investors, as well as individual investors, pursue one of three broad categories of objectives:

1. Total return--combination of dividend income and price appreciation

2. Capital gains

3. Income in terms of purchasing power--divided and price appreciation growth compared to growth of wages.

He contended that the utility investor has been extremely disappointed with the result of his commitments in utility equities, which explains to a great extent why the equity investor seeks to obtain a risk premium over the more certain return available from bonds. He further contended that the utility earnings growth rate is now far lower than the inflation rate and there has been a substantial decline in price earnings multiples.

Mr. Vanderpoel attributed the decline in price earnings ratios of utility stocks to a number of reasons, principally:

1. Slow down in rate of earnings growth and even a negative growth rate in some cases,

2. Regulatory lag and absence of adequate rate relief associated with regulation,

3. Lack of confidence in utility management as being too timid in timely seeking adequate relief,

4. Past experience of utility shareholders which has been projected to future expectations,

5. Insurmountable financial, operational, environmental and inflation problems seen in the industry.

He stated that it has become, therefore, increasingly difficult to attract new stockholders and to hold existing stockholders.

He further testified that the Respondent had experienced growth in earnings fairly comparable to the utility average in the early 1960's but that recent growth has been at a much reduced rate and that dividend growth has also fallen behind the averages in recent times.

Mr. Vanderpoel concluded that, in order for utility stocks, and the Respondent's stock in particular, to again become attractive to institutional investors, equity investors must have a good chance to earn a reasonable premium over the current bond interest rates. He concluded that a 40% to 50% premium as a minimum is required, and that 15% would be a fair return rate to be applied to the book common equity of the Respondent in determining the current overall rate of return to which the Respondent is entitled; that such a level would be required to make the common stock of Respondent attractive to institutional investment managers.

The third witness, Donald H. Shaw, Respondent's Vice President-Finance, reviewed the decline in long-term debt after-tax interest coverage from 5.4 times in 1966 to 2.3 times for the 12 months ended October 31, 1974. He testified that Respondent is required to maintain after-tax coverage of at least 2.0 times. The witness further testified that coverage at this time of 2.75 to 3.0 times is required to permit financing flexibility and provide a margin of safety for earnings fluctuations and attrition of earnings. He contended that a return of about 15% on the common equity is required to provide this minimum coverage.

Mr. Shaw found that investors in Respondent's stock have not kept up with inflation and that after taking into account the increase in book value per share as well as price level changes, the purchasing power of the dividend has decreased 46% since 1965. The book value of the common equity adjusted for inflation between 1941 and June 1974 is about 77% higher than stated book value. He further concluded that in terms of purchasing power, a 15% allowed return on common equity in 1974 would produce only 8.47% in purchasing power as related to purchasing power of invested dollars when committed and below the 8.75% interest cost of the Respondent's most recent bond sale in 1970.

Mr. Shaw testified that it is expected that the Respondent will need additional capital of approximately $30,000,000 to $35,000,000 in 1975, and that its construction requirements for the five years 1975-1979 will approximate $354,000,000, of which approximately half is expected to be from external sources. He concluded that a 15% return on its common equity will enable Respondent to finance construction for the foreseeable future and satisfy customer requirements in an economic manner.

Respondent presented testimony to demonstrate the effect of inflation upon the utility industry. Respondent's Exhibit 65, calculated what capital returns would result from applying the proposed rates to an adjusted 1974 test year. The 1974 adjusted electric and gas jurisdictional operating incomes, including the increased income from the proposed rates, were divided by the jurisdictional rate bases to produce rates of return. Returns on common equity were calculated from the overall rates of return using the capital structure at the end of 1974. Respondent sought to demonstrate that even with the proposed rates the calculated overall rate of return would be substantially lower than current cost of capital found by the Respondent's witnesses.

This Commission is charged with the responsibility of determining a just and reasonable rate of return. The Commission recognizes that a utility must have sufficient annual earnings to meet operating expenses and provide a reasonable return to investors for the risks assumed. A fair rate of return would enable the utility to attract new capital for expansion and maintain the financial integrity of its investment. The Commission also recognizes that rates must be just and reasonable for the ratepayer as well.

Recognizing all of these factors, this Commission is of the opinion that a rate of return of approximately 8.75 per cent on its Original Cost Rate Base, as herein determined, for its electric operations in Illinois, and 8.95 per cent for its gas operations, resulting in a combined weighted rate of return of about 8.80% is reasonable and proper.

The Commission, having examined the entire record herein, and being fully advised in the premises, is of the opinion and finds that:

(1) Iowa-Illinois Gas and Electric Company, an Illinois corporation, is engaged in the generation and supply of electric energy and the distribution and sale of gas in Illinois and, is a public utility within the meaning o' an Act entitled, "An Act concerning public utilities," as amended;

(2) the Commission has jurisdiction over Respondent and of the subject matter herein;

(3) on September 30, 1974, Respondent filed with the Commission certain revised schedules of rates for its gas and electric service applicable to its operations in Illinois, in which it proposed a general increase in rates for various classifications of service effective October 31, 1974;

(4) due notice of the filing of said rate schedules was given pursuant to law and the rules and regulations of this Commission;

(5) on October 9, 1974, the Commission suspended the proposed rates pending hearing and investigation and subsequently, on February 19, 1975, resuspended said rates until August 27, 1975;

(6) notice of the initial hearing held in this case was mailed by the Secretary of the Commission to Iowa-Illinois Gas and Electric Company, the Mayor, City Attorney and Clerk of the municipalities located within the Company's service areas in Illinois, and to other persons or entities as shown by the docket sheets maintained by the Secretary of the Commission, all in accordance with the rules and regulations of this Commission; notice of subsequent hearings was mailed by the Secretary of the Commission to such parties as are shown by the docket sheets maintained by the Commission in this case;

(7) statements of fact and conclusions reached in the prefatory part of this order are amply supported by evidence of record and are hereby adopted as findings of fact herein;

(8) methods used by the Respondent to allocate property dedicated to the public in Illinois in furnishing gas and electric service to its customers are just and reasonable and are hereby approved for purposes of this case;

(9) the Original Cost of the Respondent's used and useful electric plant in Service allocated to Illinois operations, as of December 31, 1974, is $131,487,000 for purposes of this proceeding;

(10) Accumulated Provision for Depreciation and Amortization of the Respondent's used and useful electric plant in Service, allocated to Illinois operations, as of December 31, 1974, is $34,126,000, resulting in a net Original Cost of such Plant as of such date of $97,361,000 to be used for the purposes of this case;

(11) the following items, affecting Illinois electric operations of the Respondent, as adjusted, should be treated in connection with establishing Respondent's Original Cost Rate Base for such operations:

Additions:

(a) Plant Held for Future Use	$ 132,000
(b) Nuclear Fuel in Stock	823,000
(c) Fuel Stock in Reactor - Net	998,000
(d) Environmental equipment, Quad-Cities Nuclear Power Station	724,000
(e) Fuel Stocks (Coal and Oil)	1,999,000
(f) Materials and Supplies	1,029,000
Total Additions	$5,705,000

Deductions:

(g) Contributions in Aid of Construction	$ 300,000
(h) Accumulated Deferred Income Taxes	8,971,000
(i) Electric Plant Allocable to Nonjurisdictional Operations	5,065,000
Total Deductions	$14,336,000
Net Deductions	$ 8,631,000

(12) Respondent's Original Cost Rate Base for the purpose of this proceeding, as of December 31, 1974, for its Illinois electric operations is $88,730,000;

(13) the Original Cost of the Respondent's used and useful gas plant in Service allocated to Illinois operations, as of December 31, 1974, is $37,755,000;

(14) Accumulated Provision for Depreciation and Amortization of the Respondent's used and useful gas plant in service, allocated to Illinois operations, as of December 31, 1974, is $9,033,000, resulting in a net Original Cost of such Plant as of such date of $28,722,000;

(15) the following items, affecting the Illinois gas operations of the Respondent, should be treated in connection with the establishment of an Original Cost Rate Base for such operations:

Additions:	
(a) Investment in Gas Leases	$ 1,492,000
(b) Materials and Supplies	300,000
(c) Gas Stored Underground, Liquefied Petroleum Gas Supply, and Stored LNG	800,000
Total Additions	$ 2,592,000
Deductions:	
(d) Contributions in Aid of Construction	$ 726,000
(e) Customer Advances for Construction	206,000
(f) Accumulated Deferred Income Taxes	2,332,000
Total Deductions	$ 3,264,000
Net Deductions	$ 672,000

(16) Respondent's Original Cost Rate Base for the purpose of this proceeding as of December 31, 1974, for its Illinois gas operations is $28,050,000;

(17) rates which were in effect prior to the authorizing of the interim rates authorized by Commission Order of November 6, 1974, and said interim rates for electric service furnished to the Illinois customers of Respondent, are inadequate and unjust in that they do not produce a reasonable return to Respondent on its investment in electric plant used in its Illinois operations and recovery of operating costs of electric service furnished to its Illinois customers;

(18) rates proposed herein by Respondent for its electric operations in Illinois would produce a rate of return of 9.42% on the Original Cost Rate Base of $88,972,000, and such proposed rates are unreasonable and unjust and should be cancelled and annulled;

(19) the Respondent should be required to file rates that will produce annual operating revenues of approximately $34,966,000 and annual operating income of approximately $7,764,000 for its electric operations in Illinois, and such annual operating income would, in turn, provide the Respondent with a rate of return of approximately 8.75% on its Original Cost Rate Base as set forth in Finding (12) hereof;

(20) Respondent should file new tariff schedules (1) adopting the Staff's proposals for its space heating Rate 105 as hereinbefore stated; (2) increasing the demand charges to the level proposed by Respondent filed on November 4, 1974 in Rates 141, 142 and 153; and

(3) providing the balance of allowable electric operating revenue by across-the-board uniform percentage increases to the energy charges contained in the interim Rates 122, 133, 141, 142, 145 and 153;

(21) rates which were in effect prior to the authorizing of the interim rates authorized by Commission Order of November 6, 1974, and said interim rates for gas service furnished to the Illinois customers of Respondent are inadequate and unjust in that they do not produce a reasonable return to Respondent on its investment in gas plant used in its Illinois operations and recovery of operating cost for gas service furnished to its Illinois customers;

(22) rates proposed herein by Respondent for its gas operations in Illinois would result in a rate of return of 9.2% on the Original Cost Rate Base of $28,050,000, and such proposed rates are unreasonable and unjust, and should be cancelled and annulled;

(23) Respondent's proposed rates designated as Ill. C.C. No. 1, 16th Revised Sheet No. 6, 13th Revised Sheet No. 7, 19th Revised Sheet No. 8, 11th Revised Sheet No. 9, 25th Revised Sheet No. 24 and 10th Revised Sheet No. 25 increasing non-residential rates for natural gas service in Illinois, are reasonable and just and should be approved; Respondent's proposed rates designated as Ill. C.C. No. 1, 17th Revised Sheet No. 5 and 8th Revised Sheet No. 26 applicable to residential natural gas service in Illinois, are unreasonable and unjust, and should be cancl1ed and annulled;

(24) Respondent should be required to file new rate schedules for residential gas service in Illinois, which, together with the rates approved herein for non-residential service will produce annual operating revenues of approximately $23,798,000 and annual operating income of approximately $2,510,000 for its gas operations in Illinois, and such annual operating income is calculated to provide the Respondent with a rate of return of approximately 8.95% on its Original Cost Rate Base as set forth in Finding (16) hereof;

(25) Respondent should be required to engage in a cost-of-service study, and submitting same to the than January 1, 1977;

(26) any objections and motions made in this proceeding that remain undisposed of should be considered disposed of in a manner consistent with the ultimate conclusions herein contained.

IT IS THEREFORE ORDERED that the Suspension Order entered by this Commission on October 9, 1974 and the Resuspension Order entered on February 19, 1975 be, and the same are hereby, vacated and set aside as to Iowa-Illinois Gas and Electric Company rates designated as Ill. C.C. No. 1, 16th Revised Sheet No. 6, 13th Revised Sheet No. 7, 19th Revised Sheet No. 8, 11th Revised Sheet No. 9, 25th Revised Sheet No. 24 and 10th Revised Sheet No. 25, increasing non-residential rates for natural gas service in Illinois, and said rates are permitted to become effective for service rendered on or after the date of this Order.

IT IS FURTHER ORDERED that Iowa-Illinois Gas and Electric Company rates designated as Ill. C.C. No. 1, 17th Revised Sheet No. 5 and 8th Revised Sheet No. 26, increasing the rates for residential natural gas service in Illinois be, and the same are hereby, permanently cancelled and annulled, and Respondent is hereby authorized and directed to file with this Commission revised schedules of such rates to provide additional operating revenues for residential natural gas service in Illinois of $959,000, exclusive of the 2% State add-on taxes. Said new rates are to become effective on all residential natural gas service rendered by Respondent in Illinois on or after the date said rate schedules are placed on file with this Commission.

IT IS FURTHER ORDERED that interim rates for natural gas service in Illinois allowed to become effective by virtue of an Order on Motion for Interim Rate Relief entered by the Commission November 6, 1974, be, and the same are hereby, permanently cancelled and annulled effective at such time as new rate schedules for natural gas service, filed pursuant to the provisions hereof, are permitted to become effective.

IT IS FURTHER ORDERED that interim electric service Rates 141, 142, 145 and 153, allowed to become effective by virtue of an interim order in this proceeding entered November 6, 1974, be, and the same are hereby, permanently cancelled and annulled, effective at such time as new rate schedules for electric service, filed pursuant to the provisions hereof, are permitted to become effective.

IT IS FURTHER ORDERED that Iowa-Illinois Gas and Electric Company be, and is hereby, authorized and directed to file with this Commission revised schedules of rates in accordance with the provisions of Finding (20) hereof, to provide operating revenues and operating income as set forth in Finding (19) hereof; said rates are to become effective for all electric service rendered by Respondent in Illinois on or after the date said new rate schedules are placed on file with this Commission.

IT IS FURTHER ORDERED that Respondent submit to the Commission on or before January 1, 1977, a Cost-of-Service Study for providing electric service in Illinois. Before initiating said study, Respondent is directed to consult with the Commission's Electric Engineering Staff to determine the procedure and method for making such Cost-of-Service Study.

IT IS FURTHER ORDERED that any objections and motions made in this proceeding that remain undisposed of shall be considered disposed of in a manner consistent with the ultimate conclusions contained herein.

By Order of the Commission this 21st day of August, 1975.

(SIGNED) MARVIN S. LIEBERMAN

Chairman

RLT:nms

(S E A L)

ORDER 78-0075

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Iowa-Illinois Gas and Electric Company	:	
	:	78-0075
Proposed general increase in gas and electric rates.	:	
	:	

O R D E R

By the Commission:

On January 11, 1978, Iowa-Illinois Gas and Electric Company ("Respondent", "Company" or "Iowa-Illinois") filed 2nd Revised Sheet No. 1, 2nd Revised Sheet No. 4, Original Sheet No. 4.1, Original Sheet No. 4.1A, 2nd Revised Sheet No. 5, 2nd Revised Sheet No. 6, 2nd Revised Sheet No. 7, 2nd Revised Sheet No. 8, 2nd Revised Sheet No. 9, 2nd Revised Sheet No. 10, 2nd Revised Sheet No. 11, 2nd Revised Sheet No. 11A, 2nd Revised Sheet No. 11C, 2nd Revised Sheet No. 12, 2nd Revised Sheet No. 13, 2nd Revised Sheet No. 21, 2nd Revised Sheet No. 22, 2nd Revised Sheet No. 23, of its Ill. C.C. No. 6 - Electric, Original Title Sheet, Original Sheet No. 1, Original Sheet No. 2, Original Sheet No. 3, Original Sheet No. 3A, Original Sheet No. 3B, Original Sheet No. 3C, Original Sheet No. 3D, Original Sheet No. 6, Original Sheet No. 7, Original Sheet No. 8, Original Sheet No. 9, Original Sheet No. 10, Original Sheet No. 11, Original Sheet No. 11A, Original Sheet No. 12, Original Sheet 12A, Original Sheet No. 13, Original Sheet No. 13A, Original Sheet No. 13B, Original Sheet No. 20, Original Sheet No. 21, Original Sheet No. 22, Original Sheet No. 23, Original Sheet No. 24, Original Sheet No. 24A, Original Sheet No. 24B, Original Sheet No. 24C, Original Sheet No. 24D, 1st Information Sheet Supplemental to Sheet No. 24, of its Ill. C.C. No. 7 - Gas, hereinafter referred to as "Filed Rate Schedule Sheets" in which it proposes a general increase in gas and electric rates in its Illinois service areas effective February 11, 1978.

Notice of the proposed increase in gas and electric rates was posted in Respondent's business offices and published in newspapers of general circulation in the Company's Illinois service area, in accordance with the requirements of Section 36 of "An Act concerning public utilities, as amended, (Act) and the provisions of General Order 157 of this Commission.

Examination of the filed electric and gas rate schedule sheets resulted in a determination by the Commission to enter upon hearings concerning the propriety and reasonableness of the Company's existing and proposed tariff, and that, pending such hearing and decision thereon the proposed filed gas and electric rate schedule sheets should not be allowed to become effective. On February 8, 1978, the Commission entered an Order suspending the effective date of the filed electric and gas rate schedule sheets to and including June 10, 1978, and on June 7, 1978 resuspended said rate schedule sheets to and including December 10, 1978, in accordance with the provisions of Section 36 of the Act.

Pursuant to notice, as shown by the docket sheets maintained by the Secretary of this Commission for purposes of this cause, as required by law and the rules and regulations of this Commission, the initial hearing was scheduled and held in this cause on March 24, 1978, before a duly authorized Hearing Examiner at the offices of the Commission in Springfield, Illinois. Respondent and Staff members of the Commission's Engineering Section, Policy Analysis and Research Section, Conservation Section and the Accounts and Finance Section entered appearances at said initial hearing as well as all subsequent hearings.

Various persons and entities filed petitions seeking Leave to Intervene in this cause many of which were granted by Order of the Commission as shown by the docket in this case. Quad-Cities Consumer Energy Council, representing many of the Intervenors, and the Department of the Army were represented and participated fully as Intervenors. Other Intervenors participated from time to time at the initial hearing and at various subsequent hearings held in this cause. On September 14, 1978, the cause was marked "Heard and Taken" by the Hearing Examiner assigned thereto.

On June 21, 1978, subsequent to hearing and consideration of the existing record, the Commission entered a Denial Order on Respondent's Motion for Interim Rate Relief for Gas Service filed March 24, 1978.

At the request of the interested persons and Quad-Cities Consumer Energy Council, local hearings were held in public buildings in the municipalities of Rock Island and Moline, Illinois.

On November 8, 1978, the Commission granted certain requests for Oral Argument which was held and on November 20, 1978, marked "Heard and Taken under Advisement."

The record contains a detailed analysis of the Company's operation for the year ended December 31, 1977, prior years and a forecast of operations for the year ended December 31, 1978, the original cost of the Company's plant in service, together with associated accrued depreciation applicable to the determination of Respondent's rate base, the cost of money and other matters relating to rate of return for like periods of time.

NATURE OF COMPANY'S OPERATION

The Company is engaged in the business of generating, transmitting and selling electric energy and distributing and selling natural gas. Electric energy is distributed in the municipalities of Rock Island, Moline, East Moline, Illinois and in Davenport and Bettendorf, Iowa (known as the Quad-Cities area), in Fort Dodge and Iowa City, Iowa, and in certain adjacent communities and surrounding areas. Natural gas is distributed in the aforenamed communities and in Cedar Rapids and Ottumwa, Iowa, and certain other municipalities.

The total electric service area includes approximately 1,350 square miles with a population of 425,000. The gas service area has a population of about 600,000. About 39% of the Company's electric revenue and 28% of its gas revenue for the calendar year 1977 were derived from Illinois operations, the remainder from Iowa operations. For 1977, 51% of gross operating revenues were derived from electric operations and 49% from gas operations. At December 31, 1977, about 72% of the Company's property account (stated at cost) represented electric property, 24% gas property and 4% common property.

There are about 163,000 electric customers, 63,000 or 39% located in Illinois and 100,000, or 61% are located in Iowa. Gas customers total about 210,000, many of whom are also electric customers. About 62,000 or 30% of Respondent's gas customers are located in Illinois and 148,000 or 70% in Iowa.

The Company has two wholly owned fossil-fuel steam electric generating stations. One station is located in the City of Moline, Illinois, and is called the Moline Station. The other steam electric plant is located on the Mississippi River in Bettendorf, Iowa, and is called the Riverside Station. In addition, Respondent has a 29% undivided interest in Unit No. 3 at the Neal Generating Station located on the Missouri River near Sioux City, Iowa, and operated by Iowa Public Service Company.

operating revenues of the Company and to minimize that effect upon the bills to customers. The percent increases by class of customer are 8% for residential customers, 7.9% for commercial, 7.7% for commercial general customers and 7.6% for all other rates. The largest single increase for any rate classification is to interruptible customers of 16.2%. For non-interruptible customers the largest single increase for any rate is 10.3% for Commercial Heating customers in Area B.

The Commission is of the opinion that the proposed changes in the Company's tariff, relating to gas service should be approved to the extent of the gas operating revenue level approved herein.

TEST YEAR

The Company proposed use of a 1978 forecast test year period for rate making purposes. Respondent's initial exhibits contained data which would enable the Commission to utilize a forecast test year period for 1978. The exhibits were updated in Company Exhibit 36 with a revised forecast for 1978 based upon six months actual and six months estimated data. Exhibit 36 was identified as an exhibit by the Company one day before this cause was marked "Heard and Taken" by the Examiner; members of the Commission Staff had received a copy prior thereto. Respondent suggested that any new rates allowed to become effective by this Commission would probably not be effective until the beginning of 1979 and that use of a 1977 test year would not likely represent conditions in 1979 to which conditions any new rates would apply. It was contended by Respondent that "Any use of 1977 adjusted data in the determination of the appropriate revenue level should be in conjunction with the forecasted 1978 year end capitalization and composite cost of capital" (Initial Brief of Iowa-Illinois, Page 10).

This Commission has in the past made use of forecasts based upon some portion of actual operating data for test year purposes in the determination of the just and reasonable nature of rates to become effective for future periods. Experience in the use of forecast test year periods by this Commission has indicated a lack of consistency and uniformity in the submission of rate justifications of public utilities subject to the jurisdiction of this Commission; the Commission has determined the appropriate test year on a case by case basis.

The Company also included data which would enable this Commission to adopt for rate making purposes a test year ended December 31, 1977. Actual operating data, available for this time period, was adjusted by the Company for known changes. Actual operating data for this period corresponds to the Form 21 Annual Report of Respondent filed with this Commission April 4, 1978, and enables a comparison and proper review to be made.

The Commission is of the opinion that use of a pro forma test year ended December 31, 1977 based upon actual operating data, with certain approved adjustments will enable this Commission and its staff to provide the necessary review and analysis of requested rate changes in a more meaningful and expeditious manner.

RATE OF RETURN

Respondent presented the testimony of two witnesses relative to the rate of return which Iowa-Illinois should be allowed the opportunity to earn on the used and useful property allocated and dedicated in providing gas and electric service to its Illinois consumers.

For non-residential customers: Rate 163, Commercial Space Heating; Rate 172, Commercial Industrial General; and, Rate 186, Large Use, are being consolidated into a new general service rate applicable to Service Area A. In addition: Rate 193, Commercial Space Heating; Rate 192, Commercial Industrial General; and, Rate 186, Large Use, are being consolidated into a single general service rate applicable to Service Area B. It should be pointed out that Iowa-Illinois has two rates for every class of service it provides. Class A service is for customers within Rock Island, Moline and contiguous territory and Class B service is for rural type customers or in the small outlying towns. These rate consolidations are being proposed at this time because the recent large increases in the Purchased Gas Adjustment levels have caused the overall rates to escalate to a point where the difference between the rates being consolidated is less than 7% for customers using more than 500 therms per month. Rate consolidation will greatly simplify the Company tariff and will reduce the number of meters the Company must provide. Some of the rates are restricted to specific uses so that some customers have more than one meter to obtain the service on the most advantageous rate for which it qualifies. The Company estimates approximately 250 customers have multiple meters which will be eliminated by the proposal. A customer charge will also be applied to customers receiving service under these classifications.

The Company is also proposing a revision of its BTU adjustment rider. At the present time, the Company calculates the BTU heating value factor to two decimal places per hundred cubic feet. The calculation is not rounded; the last figure is dropped in all cases. The Company is proposing to make the calculation to three decimal places per hundred cubic feet which will increase the amount of therms billed to customers. Based upon actual heating values in test year 1977, the Company would have billed an additional 459,559 therms to its customers. In the Company's rate analysis work, it considered that this additional 459,559 therms would be sold to customers and the revenues to be produced by those sales are incorporated into the proposed revenues in this rate proceeding. This calculation reduced the revenue requirements needed from the basic rates.

In addition, under Rate 188, Limited Period of Firm Service, a refund provision is incorporated by which 1.5¢ per therm sold to Rate 188 customers must be refunded directly to all firm customers served by Iowa-Illinois. At the time the rate was established, the Company had the opportunity to purchase gas from its supplier on a limited term basis. Iowa-Illinois wanted to take the gas but could not dedicate the gas to firm service due to its limited term nature. The Company developed Rate 188, Limited Firm Service to sell this limited term gas. The charges under the rate were 1.5¢ per therm higher than other rates, but, lower than alternate fuels to the potential Rate 188 customers. The refund provision was developed to dispose of the added revenue above the margin of other rates. The refund provision shares the extra earnings with customers. Iowa-Illinois states that as a result of this rate proceeding, it may now adjust its rates to incorporate the actual Rate 188 effect into the basic rate design. In 1977, $62,565 was refunded to customers under this refund provision. The Company's rate design considers the $62,565 as revenue on the basic rate design. Iowa-Illinois proposes deletion of the refund provision in Rate 188.

Other minor revisions have been made to the tariffs such as the deletion of references to dual fuel service as that service has not been provided for a number of years.

The overall basic rate design intent of the Company in this matter was to increase the initial blocks of the rates more than the end block of the rates to minimize the weather effect upon the

The Company's Articles of Incorporation contain as a requirement that, earnings must be 1½ times the sum of annual interest charges and dividends on cumulative preferred shares, including the shares to be issued before the Company may issue cumulative preferred stock.

Such provisions are not uncommon in the utility industry and are found in the financing agreements of non-regulated entities as well. Such restrictions, if reasonable, assure this Commission, the investing public as well as customers that the Company will not act imprudently in the issuance of securities which could possibly impair the financial integrity of Respondent and thereby adversely affect the service to be accorded to existing and future customers.

The Company Vice-President contended that a relationship exists between long-term debt interest and the return earned on the common equity portion of Respondent's capitalization; a relationship imprecise in nature. The witness by example suggested a method to determine the return on common equity necessary to assure a particular long-term debt interest coverage. After taking into account those matters set forth in his testimony as well as his determined relationship between desirable coverage of long-term debt interest and return on common equity of the Company expected to be earned by Respondent, the witness concluded that a return on equity of about 15% would be necessary to enable the Company "to finance needed construction and satisfy customer requirements in an economical manner."

The Commission has examined the Statistical Supplement (1976) published by Iowa-Illinois (Respondent's Exhibit 20) and in particular the financial ratios indicated at Page 3 thereof. The Statistical Supplement provides operational data and information as well as financial data for an 11 year period commencing in 1966 and ending for the year 1976.

It may be observed that while earnings per common share and cash dividends paid have increased during that time period, the Company has maintained a dividend pay-out ratio which has been fairly constant. Such fact would indicate that the Company has maintained a reasonable dividend policy that has been acceptable to the investing public. Only in the year 1971 was the Company required to pay-out as much as 89% of its earnings per share in order to meet its usual dividend. The Company has consistently retained about 30% of its earnings available for dividends to assist in providing the capital required for anticipated growth as well as increased demand of existing customers. The Commission is of the opinion that Respondent has been prudent in its dividend policy and fair to its investors.

Of more serious note, is the increase in the embedded cost of long-term debt. In 1966 the embedded interest rate was 3.8%; it has increased steadily to 6.6% at the end of 1976. The same has been true of the embedded dividend rate of preferred and preference shares, such embedded cost dividend rate having steadily increased from 4.3% in 1966 to 8.5% in 1976. The inflationary trend of our economy is not only disclosed by the increase in cost of goods and services experienced by every individual but is also apparent from the severe increase in the cost of money necessarily obtained by utilities regulated by this Commission.

Iowa-Illinois is now maintaining a capitalization structure closely approximating that "rule of thumb" structure usually acceptable to the financial and utility communities as well as regulators of gas and electric utilities (50% long-term debt - 15% preferred and preference shares - 35% common equity).

While the long-term debt component, determined by combining the first mortgage bond and debenture ratios shown in said Statistical Supplement, of the Company may well have approached an unacceptable high limit during the years 1969 through 1972, Respondent has properly decreased the debt component steadily since 1972 to 50.6% of its total capital in 1977.

The president of an independent consulting firm specializing in rate of return, inter alia, testified as an expert witness on behalf of the Company. The witness utilized "total enterprise capital structure ratios and related fixed-capital cost rates," as a basis for his opinion regarding a fair and reasonable rate of return for the Company's Illinois operations. The witness reviewed recent financial history and certain financial ratios of Iowa-Illinois as well as those of other utilities for certain periods of time. In addition, the witness studied market data of Moody's 24 Public Utilities and certain gas and electric utilities allegedly comparable to Respondent. Statistical information and data concerning certain non-regulated enterprises was also employed by the witness in adopting a comparable earnings approach and in an attempt to avoid circular reasoning stated to be "implicit in the use of earnings/book ratios for other utilities," as a test of his conclusion of the market valuation of utility stock.

After making a number of calculations based on operating statistical data of the Company's electric and gas operations and total Company operations as well as the judgment and experience of the witness, it was the conclusion of the witness that the rates prepared by the Company should be allowed to become effective since "they produce return rate opportunities that are obviously not excessive."

Respondent's Exhibit 28, Schedule 21, Pages 1 and 2 disclose cost of capital computations made by the consulting firm witness. Subject to the qualifications set forth by the witness, the overall cost of capital of Iowa-Illinois was opined to be 10.26% actual at December 31, 1977, and 10.29% estimated at December 31, 1978, if the Company experienced no attrition or regulatory lag, among other things. Somewhat higher rates of return were considered to be fair rates of return by the witness for rate-making purposes of this case.

The witness included Deferred Job Development Investment Credit (JDIC) in common equity when he calculated his overall capital costs set forth above. In cross examination staff established that such inclusion would be contrary to the provisions of General Orders 179 and 180 of the Illinois Commerce Commission and that such inclusion would not be required by the Internal Revenue Code or the Regulations appertaining thereto. Overall capital costs, of the Company excluding JDIC, would be 10.08% at December 31, 1977, and 9.99% estimated at December 31, 1978.

The second witness testifying on behalf of Respondent was its Vice President-Finance, who also serves as a Director of the Company. The Vice-President testified in detail as to the financing requirements of the Company for the foreseeable future. A matter of primary concern, in the opinion of the witness, is the Company's ability to choose between long-term debt and equity financing at any point in time as well as the ability to have access to other methods of obtaining necessary funds for the Company's operations. The witness indicated that under certain indenture coverage agreements, the Company is prohibited from issuing additional first mortgage bonds unless earnings before income taxes equal at least two times interest on the first mortgage bonds, including those proposed for issuance. A sinking fund debenture agreement provides that no long-term debt can be issued if earnings after income taxes would be less than twice the total long-term debt interest requirement after the proposed issuance. Other limitations as well are imposed by the agreements.

The Commission, having considered the entire record relating to rate of return and being mindful of the financing restrictions with which the Company must comply when seeking additional funds is of the opinion that a range of return on the Company's common equity of between 11.00% and 13.00% would be fair and reasonable to permit the Company to earn and at the same time be fair to the rate payers.

INTERVENORS

The Commission has examined the Appeal of Rulings by Examiner filed October 2, 1978, on behalf of the Department of the Army. With respect to the contention of counsel of the Regulatory Law Office of the U.S. Army, Legal Service Agency, an examination of the docket sheet in this cause and the documents prepared by the legal arm of the U.S. Army do not reveal a formal Petition to Intervene filed on behalf of any U.S. Governmental agency except the Department of Army. It would seem that if other governmental agencies had an interest in this proceeding, a formal request for intervention could be filed. This Commission has an obligation to require prospective Intervenors to establish their identity and disclose the interest they may have in a cause before this Commission. This is, and should be, required of a governmental agency as well as any private entity or individual. All parties to a cause have a right to know the exact identity of the other participants to the cause. On April 18, 1978, the filing date of the Intervening Petition of the Department of the Army, the identity and interest of other governmental agencies was not made known. The regulatory law office has not yet formally provided a filing which would disclose the identity of other agencies and the interest the same may have in this proceeding, all as required by the rules of practice of this Commission. Additionally, counsel for the Department of the Army conceded that it made no substantive difference if intervention was limited to the Department of the Army. For all these reasons, intervention is allowed to the Department of the Army and not the Department of Defense.

The Commission has examined the record relating to the testimony and exhibits of witnesses appearing on behalf of the Department of the Army as well as those submitted by witnesses testifying on behalf of the Quad-Cities Consumer Energy Council, including all offers of proof. The Commission is of the opinion that the exclusion of evidence offered by the Quad-Cities Consumer Energy Council and the Department of the Army was in error and finds that the excluded evidence is admissible and is hereby made part of the record of evidence upon which this Commission will rely in reaching its decision in this case. Included as admitted evidence is the 1976 cost of service study made by Gilbert Management Consultants.

A Department of Army witness, testified as a "consultant in Engineering and Economic Analysis," and used as the primary basis for his conclusions the "Iowa-Illinois Gas and Electric Company-1976 Electric Cost of Service Study-Illinois Jurisdiction." The study was performed by Gilbert Management Consultants under the provisions of an order entered by this Commission in Docket Nos. 59318 and 76-0140. The witness drew conclusions from the study which are not necessarily justified. Cost of service studies at best are advisory and merely an examination of available data to

The Company's ability to attain and maintain a reasonable capital structure is evidenced by the statistical Supplement and the ability of Respondent to reduce the debt component ratio of its capitalization.

An examination of Respondent's Exhibit 14, Page 2 of 2 would indicate that the Company is yet able to obtain necessary funds and at the same time maintain acceptable capitalization ratios. Capitalization at December 31, 1977, adjusted for the March 1978 Preference Stock Issue, is as follows:

ITEM	RATIO
Long Term Debt	49.3%
Preferred and Preference Stock	14.3%
Common Equity	36.4%
	100.0%

Capitalization at December 31, 1978 is forecast to be as follows:

ITEM	RATIO
Long Term Debt	50.8%
Preferred and Preference Stock	13.5%
Common Equity	35.7%
	100.0%

The capital structure and the cost rates and resulting composite costs (excluding the rate and cost of common equity portion of the total capital structure) at December 31, 1977, which include the March 1978 private placement of $11,500,000 principal amount of 7.90% Series Preference Stock, are adopted by this Commission for rate making purposes of this case as proper components of a reasonable cost of capital computation indicating Respondent's cost of capital, pro forma, for test year purposes. The components are as follows:

Capitalization
December 31, 1977 (Adjusted for the March, 1978
Preference Stock Issue)
($000 Omitted)

Description (1)	Amount (2)	Ratio (3)	Cost of Capital (4)	Composite Cost of Capital (5)
Long-Term Debt	$227,189	49.3%	7.08%	3.49%
Preferred Stock	20,000	4.3	5.96	.26
Preference Stock	45,800(1)	10.0	9.65(1)	.97
Total Long-Term Debt and Pfd. and Pref. Stock	$292,989	63.6%		4.72%
Common Equity	167,718	36.4		
	$460,707	100.0%		

(1) Includes the March, 1978 private placement of $11,500,000 principal amount 7.90% Series Preference Stock.

The Commission is of the opinion that the foregoing operating results and expected rates of return are fair and reasonable and the rates approved herein which would reasonably enable Respondent to obtain those operating results are fair, just and reasonable and should be allowed to become effective for gas and electric service, on and after the dates said rate schedules are placed on file with this Commission.

ELECTRIC NON-JURISDICTIONAL ALLOCATION

An Accounts and Finance Section staff member testified to a proposal which would change the methodology whereby the Company determines the non-jurisdictional allocation for electric rate base and operating income in Illinois electric rate proceedings. Non-jurisdictional refers to the Sherrard Power System; the wholesale rates Iowa-Illinois charges to Sherrard are determined by the Federal Energy Regulatory Commission (FERC). Currently, the non-jurisdictional calculations in Illinois electric rate proceedings reflect the relationship of Illinois non-jurisdictional electric revenues to total Illinois electric operating revenues. Staff's proposal would require the Company to perform a cost of service study in Illinois electric rate proceedings, exactly as they would for the FERC, on the Sherrard Power System. The Commission is of the opinion that Staff's proposal to change the allocation method currently used in Illinois electric rate proceedings, is fair and reasonable and should be adopted.

The Commission, having examined the entire record herein, and now being fully advised in the premises, is of the opinion and finds that:

(1) Iowa-Illinois Gas and Electric Company, an Illinois corporation, is engaged in the generation and supply of electric energy and the distribution and sale of gas in Illinois and elsewhere and, is a public utility within a meaning of an Act entitled "An Act concerning public utilities," as amended;

(2) the Commission has jurisdiction over Respondent and of the subject matter herein;

(3) on January 11, 1978, Respondent filed with this Commission Filed Rate Schedule Sheets containing rate schedules and other tariff provisions by which it proposed certain changes and a general increase in gas and electric rates for various classifications of service, effective February 11, 1978; said tariff filing was accompanied by an appropriate supplemental statement in accordance with the rules of the Commission;

(4) due notice of the filing of said Filed Rate Schedule Sheets was given pursuant to law and the rules and regulations of this Commission;

(5) on February 8, 1978, the Commission suspended the proposed Filed Rate Schedule Sheets to and including June 10, 1978, and on June 7, 1978, resuspended said Filed Rate Schedule Sheets to and including December 10, 1978, all in accordance with provisions of Section 36 of the Act;

(6) notice of the initial hearing held in this cause was mailed by the Secretary of the Commission to Respondent, the Mayor, City Attorney, and Clerk of the municipalities located within the Company's

Jurisdictional operating electric income of $14,177,000 and gas operating income of $3,146,000 and a combined operating income of $17,323,000 would result in the following return on the respective original cost rate bases approved herein:

ILLINOIS OPERATION
PRO FORMA PROPOSED RATES
TEST YEAR ENDED DECEMBER 31, 1977

Description	Return
Illinois Gas Operations	9.73%
Illinois Electric Operations	9.92%
Combined Operations	9.89%

The Commission is of the opinion that such amounts of operating income and the resultant returns on the respective original cost rate bases approved herein for rate making purposes would be excessive, unfair and unreasonable and the filed rate schedule sheets proposed by Respondent's January 11, 1978, filing which would produce such operating results are therefore unreasonable and unjust and the same should be permanently cancelled and annulled.

The Company should be required to prepare and file rate schedule sheets containing new rates incorporating the new rates contained in Appendix A, attached hereto and complying with the other terms and provisions of this order, which when combined with the remainder of the tariff of Respondent applicable to gas and electric service will produce electric operating revenues of $56,414,000 and gas operating revenues of $38,252,000, which amounts include the 2% add-on utility tax.

Such rates will reasonably enable the Company to achieve the following operating results if new rates are allowed to become effective:

ILLINOIS UTILITY OPERATIONS
(000 Omitted)

Particulars	Illinois Gas Operations	Illinois Electric Operations	Combined Operations
Operating Revenues	$38,252	$56,414	$ 94,666
Operating Expenses (1)	35,251	42,487	77,738
Operating Income	$ 3,001	$13,927	$ 16,928
Less: Non-Jurisdictional		670	670
Jurisdictional Operating Income	$ 3,001	$13,257	$ 16,258

(1) Includes Federal Income Tax computations at 1979 rates.

The Commission is of the opinion that Iowa-Illinois could be expected to attain the following rates of return on the original cost rate bases approved herein if rates approved by this order were incorporated into the tariff of Respondent applicable to Illinois gas and electric customers.

Particulars	Return
Illinois Gas Operations	9.28%
Illinois Electric Operation	9.28%
Combined Operations	9.28%

(16) the Respondent should be required to file electric rate schedule sheets containing rates that will produce annual operating revenues of approximately $56,414,000 and result in annual jurisdictional operating income of approximately $13,257,000 for its electric operations in Illinois, and such annual jurisdictional operating income would, in turn, provide the Respondent with a rate of return of approximately 9.28% on the Original Cost Rate Base of $142,856,000 as set forth in Finding (11) hereof; such amounts of operating income and return are fair, just and reasonable;

(17) Respondent should prepare and place on file with this Commission new electric rate schedule sheets, incorporating the rates contained in Appendix A, attached hereto, and complying with the other terms and provisions contained in this order which the Company is directed to incorporate into its electric tariff; said new rates are just and reasonable and would enable the Company to reasonably obtain the following electric operating results:

Illinois Electric Operations
(000 Omitted)

Particulars	Amount
Operating Revenues	$56,414
Operating Expenses	42,487
Operating Income	$13,927
Less: Non-Jurisdictional	670
Jurisdictional Operating Income	$13,257

(18) rates which are now in effect for gas service furnished to the Illinois customers of Respondent are inadequate, unjust and unreasonable, in that, they do not produce a reasonable return to Respondent on its investment in gas plant used and useful in its Illinois operations and recovery of operating cost for gas service furnished to its Illinois customers; such rates should be permanently cancelled and annulled;

(19) under the filed gas rate schedule sheets proposed herein by Respondent for its gas operations in Illinois, Respondent would reasonably expect a rate of return of 9.73% on the Original Cost Rate Base of $32,336,000; such amounts of operating income and return are excessive, unfair and unreasonable and the proposed rates are therefore not in all respects just and reasonable and should be permanently cancelled and annulled;

(20) Respondent should be required to prepare and place on file with this Commission new gas rate schedule sheets, incorporating the rate designs proposed by Respondent in this proceeding, which increase rates on a pro rata basis to all customers; and complying with the other provisions of this order which the Company is directed to incorporate into its gas tariff; said new rates should be sufficient to increase the existing gas operating revenue from $36,916,000 to $38,252,000 for an allowed increase of $1,336,000 of operating revenue, including the 2% add-on due to State Revenue taxes, or $1,310,000 excluding

service areas in Illinois, and to such other persons or entities as shown by the docket sheets maintained by the Secretary of the Commission, all in accordance with the rules and regulations of this Commission; notice of subsequent hearings was mailed by the Secretary of the Commission to such parties as are shown by the docket sheets maintained by the Commission for purposes of this case;

(7) statements of fact and conclusions reached in the prefatory part of this order are amply supported by the evidence of record and are hereby adopted as findings of fact;

(8) a Motion of Iowa-Illinois Gas and Electric Company for Interim Rate Relief for Gas Service was filed on March 24, 1978; subsequent to hearing thereon this Commission entered its order on June 21, 1978, denying the relief requested without prejudice to the final determination of the issues in this proceeding;

(9) methods used by Respondent to allocate property, dedicated to the public in Illinois in furnishing gas and electric service to its customers, are just and reasonable and are hereby approved for purposes of this case;

(10) use of a pro forma test year ended December 31, 1977, based upon actual operating data is appropriate for rate making purposes in this case;

(11) the original cost rate base for the Company's electric operations for the test year ended December 31, 1977, is $142,856,000;

(12) the original cost rate base for the Company's gas operations for the test year ended December 31, 1977, is $32,336,000;

(13) the original cost rate base of the Company's combined electric and gas utility operations for purposes of this proceeding is $175,192,000, which amount is the "value of Respondent's Illinois gas and electric properties for rate making purposes in this proceeding;

(14) rates which are in effect for electric service furnished to the Illinois customers of Respondent, are inadequate, unjust and unreasonable in that they do not produce a reasonable return to Respondent on its investment in electric plant used and useful in its Illinois operations and recovery of operating costs of electric service furnished to its Illinois customers; existing rates which result in such unjust and unreasonable operations are not in all respects just and reasonable and should be permanently cancelled and annulled when rates allowed to become effective by virtue of this order become effective;

(15) rates proposed herein by Respondent for its electric operations in Illinois would produce a rate of return of 9.92% on the Original Cost Rate Base of $142,856,000; such proposed rates are not in all respects just and reasonable and should be permanently cancelled and annulled;

State Revenue taxes; said new rates are just and reasonable and would enable the Company to reasonably obtain the following Illinois gas operating results:

Illinois Gas Operations
($000 Omitted)

Particulars	Amount
Operating Revenues	$38,252,000
Operating Expenses	$35,251,000
Operating Income	$ 3,001,000

(21) such amount of operating income and the resultant rate of return of 9.28% on the gas original cost rate base approved herein are fair, just and reasonable;

(22) under rates allowed to become effective by virtue of this order, Respondent should reasonably be able to earn $16,258,000 on its Illinois Utility Operations or an overall return of 9.28% on the Combined Original Cost rate base of $175,192,000 approved herein; such amount of operating income, resultant return and the rates producing some are fair, just and reasonable;

(23) Iowa-Illinois should be ordered and directed to perform a cost of service study in all future Illinois electric rate increase requests which will enable the Commission to more properly remove Sherrard Power System's operations from Respondent's Illinois jurisdictional operations; such study should be performed in accordance with FERC guidelines and made a part of the record in each succeeding general rate increase request;

(24) any objections and motions made in this proceeding that remain undisposed of should be considered disposed of in a manner consistent with the ultimate conclusions herein contained.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the "Filed Rate Schedule Sheets" filed January 11, 1978, on behalf of Iowa-Illinois Gas and Electric Company be, and the same are hereby, permanently suspended, cancelled and annulled, effective upon the date of this order.

IT IS FURTHER ORDERED that Respondent be, and it is hereby, directed to prepare and file with this Commission new electric rate schedule sheets, conforming to the provisions of Findings (16) and (17) together with other applicable provisions of this order, and new gas rate schedule sheets conforming to the provisions of Finding (20) of this order, together with other applicable provisions of this order, all of which would enable the Company to reasonably obtain the electric and gas operating results approved herein; said electric and gas rate schedule sheets to become effective for service rendered on and after the day subsequent to the date of filing same with this Commission.

IT IS FURTHER ORDERED that Iowa-Illinois Gas and Electric Company be, and it is hereby, ordered and directed to perform a cost of service study in all future Illinois electric rate increase requests which will enable the Commission to more properly remove Sherrard Power System's operations from Respondent's Illinois jurisdictional operations in the manner set forth in Finding (23) hereof.

IT IS FURTHER ORDERED that the existing gas and electric rate schedule sheets, for those service classifications for which new gas and electric rate schedule sheets are to be prepared and filed, be and the same are hereby, permanently cancelled and annulled, effective at such time as the new gas and electric rate schedule sheets are allowed to become effective by virtue of this order.

IT IS FURTHER ORDERED that any motions or objections, made by any party hereto during the course of this proceeding, which remain undisposed of be, and the same are hereby, disposed of in a manner consistent with the rulings and ultimate conclusions contained in this order.

By order of the Commission this 6th day of December, 1978.

(SIGNED) CHARLES P. KOCORAS

Chairman

(S E A L)

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Iowa-Illinois Gas and Electric Company	:	
	:	78-0075
Proposed general increase in gas and electric rates	:	

ORDER ON REMAND

By the Commission:

On January 11, 1978, Iowa-Illinois Gas and Electric Company ("Respondent", "Company" or "Iowa-Illinois") filed 2nd Revised Sheet No. 1, 2nd Revised Sheet No. 4, Original Sheet No. 4.1, Original Sheet No. 4.1A, 2nd Revised Sheet No. 5, 2nd Revised Sheet No. 6, 2nd Revised Sheet No. 7, 2nd Revised Sheet No. 8, 2nd Revised Sheet No. 9, 2nd Revised Sheet No. 10, 2nd Revised Sheet No. 11, 2nd Revised Sheet No. 11A, 2nd Revised Sheet No. 11C, 2nd Revised Sheet No. 12, 2nd Revised Sheet No. 13, 2nd Revised Sheet No. 21, 2nd Revised Sheet No. 22, 2nd Revised Sheet No. 23, of its ILL.C.C. No. 6 - Electric, Original Title Sheet, Original Sheet No. 1, Original Sheet No. 2, Original Sheet No. 3, Original Sheet No. 3A, Original Sheet No. 3B, Original Sheet No. 3C, Original Sheet No. 3D, Original Sheet No. 6, Original Sheet No. 7, Original Sheet No. 8, Original Sheet No. 9, Original Sheet No. 10, Original Sheet No. 11, Original Sheet No. 11A, Original Sheet No. 12, Original Sheet No. 12A, Original Sheet No. 13, Original Sheet No. 13A, Original Sheet No. 13B, Original Sheet No. 20, Original Sheet No. 21, Original Sheet No. 22, Original Sheet No. 23, Original Sheet No. 24, Original Sheet No. 24A, Original Sheet No. 24B, Original Sheet No. 24C, Original Sheet No. 24D, 1st Information Sheet Supplemental to Sheet No. 24, of its ILL.C.C. No. 7 - Gas, hereinafter referred to as "Filed Rate Schedule Sheets" in which it proposed a general increase in gas and electric rates in its Illinois service areas effective February 11, 1978.

On February 8, 1978, the Commission entered an Order suspending the effective date of the Filed electric and gas Rate Schedule Sheets to and including June 10, 1978, and on June 7, 1978, resuspended said Filed Rate Schedule Sheets to and including December 10, 1978, in accordance with the provisions of Section 36 of "An Act concerning public utilities," as amended, (Act).

Initial hearings in the original proceeding were held on March 24, 1978, culminating on September 14, 1978, when the proceeding was marked "Heard and Taken." Oral argument was held on November 20, 1978 and taken under advisement.

On December 6, 1978, the Commission issued an Order which, <u>inter alia</u>, cancelled Respondent's proposed Rate Schedule Sheets filed on January 11, 1978, and directed Respondent to prepare and file new electric and gas tariffs which would produce revenues of lesser amounts and conform to the findings contained within the Order. On December 7, 1978, Respondent filed such revised tariffs with the Commission.

Applications for Rehearing of the Commission's December 6, 1978 Order were filed by the Department of the Army on December 26, 1978; by the Quad Cities Consumer Energy Council on January 5, 1979; and by Respondent on January 8, 1979. The Application for Rehearing filed on behalf of the Department of the Army was denied by the Commission on January 3, 1979. On January 18, 1979, the Commission denied the Application for Rehearing filed by the Quad Cities Consumer Energy Council. The Application for Rehearing filed on behalf of Respondent was denied by the Commission on January 24, 1979. Appeals from the Commission's December 6, 1978 Order and denial of hearing were taken by the Quad Cities Consumer Energy Council and Respondent to the Circuit Court of the Fourteenth Judicial Circuit, Rock Island County, Illinois (Circuit Court).

On February 22, 1980, the Circuit Court entered an order, with an accompanying statement of reasons for decision. In that order the Court denied the appeal of Quad Cities Consumer Energy Council and, with respect to the appeal by Iowa-Illinois Gas and Electric Company, vacated and set aside the Commission's order of December 6, 1978, stating that:

> the findings of the Commission that a range of return on the Company's common equity of between 11.00% and 13.00% would be fair and reasonable and that the rate of return on the Original Cost Rate base should be approximately 9.28% are contrary to the manifest weight of the evidence . . . .

That February 22, 1980 order of the Court did not expressly remand the cause to the Commission. On February 28, 1980, Respondent filed certain rate schedule sheets, with accompanying advice letters in which Respondent asserted that its filings were "pursuant to" that Court order. Those filings and the proceedings relating to them are more fully discussed below.

However, on March 1, 1980, the Court entered an amended order, by which the cause was expressly "remanded to the Illinois Commerce Commission with directions to consider it in accordance with the views expressed in the Statement of Reasons for Decision heretofore filed in this cause."

While not a formal part of this proceeding, the intent of the Court is more clearly expressed, beginning with the court's statement at the bottom of page 56 and ending with the response of counsel for Iowa-Illinois at page 58, in the transcript record of the Report of Proceedings of hearing held on the 8th day of April, 1980, before the Honorable Robert W. Castendyck. During that discussion the court indicated to Respondent's counsel at page 57 that ". . . the effect of my decision was to remand this to the Commission for consideration, which is what you in effect asked me to do". Counsel for Iowa-Illinois responded in the affirmative.

On February 28, 1980, Respondent filed with the Commission Electric Advice Letter No. 107 and Gas Advice Letter No. 278, together with rate schedule sheets, notifying the Commission that Respondent intended to place into effect rate schedules for electric service in an amount equal to the January 11, 1978 Filed electric Rate Schedule Sheets and rate schedules for gas service lesser in amount than those proposed in the January 11, 1978 filing. Respondent asserted that this filing was consistent with law and the February 22, 1980 Decision and Order of the Circuit Court.

On February 29, 1980, the Commission docketed this February 28, 1980 filing as Docket No. 80-0143 and suspended the effective date to and including June 27, 1980; and on June 4, 1980 re-suspended said filing to and including December 27, 1980. Respondent, on March 31, 1980, sought rehearing and reconsideration of the Commission's February 29, 1980 Suspension Order, which rehearing and reconsideration was denied by the Commission on April 17, 1980. Respondent thereupon appealed the Commission's February 29, 1980 Suspension Order and April 17, 1980 Order denying rehearing to the Circuit Court.